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LOK SABHA

The following Bill was introduced in Lok Sabha on the 10th September, 1964:—

BILL No. 55 of 1964

A Bill further to amend certain laws relating to direct taxes.

BE it enacted by Parliament in the Fifteenth Year of the Republic of India as follows:—

1. This Act may be called the Direct Taxes (Amendment) Act, 1964. Short title.

2. In section 2 of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act), in *Explanation 2* to clause (22), after the words "date of liquidation", the following words shall be, and shall be deemed always to have been, inserted, namely:— Amend-
ment of
section 2
of Act 43
of 1961.

“but shall not, where the liquidation is consequent on the compulsory acquisition of its undertaking by the Government or a corporation owned or controlled by the Government under any law for the time being in force, include any profits of the company prior to three successive previous years immediately preceding the previous year in which such acquisition took place”.

3. In section 10 of the Income-tax Act, after clause (13), the following clause shall be inserted, namely:— Amend-
ment of
section 10.

“(13A) any special allowance specifically granted to an assessee by his employer to meet expenditure actually incurred on payment of rent (by whatever name called) in respect of residential accommodation occupied by the assessee, to such extent (not exceeding three hundred rupees per month) as may

be prescribed having regard to the area or place in which such accommodation is situate and other relevant considerations;”.

Amend-
ment of
section 17.

4. In section 17 of the Income-tax Act, in clause (3), in sub-clause (ii), for the words, brackets and figures “or clause (12)”, the words, brackets, figures and letter “, clause (12) or clause (13A)” shall be substituted. 5

Amend-
ment of
section 88.

5. In section 88 of the Income-tax Act,—

(a) in sub-section (1), after clause (i), the following clause shall be inserted, namely:—

“(ia) as donations to the Jawaharlal Nehru Memorial 10 Fund referred to in the Deed of Declaration of Trust adopted by the National Committee at its meeting held on the 17th day of August, 1964;”;

(b) in sub-section (3), in the second proviso, for the words “to the National Defence Fund set up by the Central Govern- 15 ment”, the words, brackets, figures and letter “to any fund referred to in clause (i) or clause (ia) of sub-section (1)” shall be substituted.

Amend-
ment of
section 153.

6. In section 153 of the Income-tax Act,—

(a) in sub-section (3), in clause (ii), after the figures 20 “264”, the following shall be inserted, namely:—

“or in an order of any court in a proceeding otherwise than by way of appeal or reference under this Act”;

(b) in *Explanation 2* and in *Explanation 3*, for the words and figures “under section 250, 254, 260, 262, 263 or 264”, the 25 words, brackets and figures “referred to in clause (ii) of sub-section (3)” shall be substituted.

Amend-
ment of
section 154.

7. In section 154 of the Income-tax Act,—

(a) in sub-section (1),—

(i) in clause (b), for the words and figures “in appeal 30 under section 250”, the words and figures “under section 250 or section 271” shall be substituted;

(ii) after clause (b), the following clause shall be inserted, namely:—

“(bb) the Inspecting Assistant Commissioner may 35 amend any order passed by him in any proceeding under sub-section (2) of section 274;”;

(b) after sub-section (1), the following sub-section shall be inserted, namely:—

“(1A) Where any matter has been considered and deci- 40 ded in any proceeding by way of appeal or revision relating

to an order referred to in sub-section (1), the authority passing such order may, notwithstanding anything contained in any law for the time being in force, amend the order under that sub-section in relation to any matter other than the matter which has been so considered and decided.”.

8. In section 209 of the Income-tax Act, for clause (d), the following clause shall be substituted, namely:—

Amend-
ment of
section
209.

“(d) in cases where—

(i) the total income of the latest previous year [being a year later than the previous year referred to in clause (a)] on the basis of which tax has been paid by the assessee under section 140A or a provisional assessment has been made under section 141, exceeds the total income referred to in clause (a), or

(ii) the Income-tax Officer makes an amended order referred to in sub-section (3) of section 210 on the basis of the total income on which tax has been paid by the assessee under section 140A, or in respect of which a provisional assessment has been made under section 141,

the total income referred to in clause (a) shall be substituted,—

(1) in a case falling under sub-clause (i), by the total income on the basis of which tax has been paid under section 140A or, as the case may be, the provisional assessment has been made under section 141, whichever relates to the latest previous year and where both relate to the same latest previous year, whichever is higher, and

(2) in a case falling under sub-clause (ii), by the total income on the basis of which the amended order under sub-section (3) of section 210 is made.”.

9. In section 210 of the Income-tax Act, in sub-section (3),—

(i) after the words “of the financial year,” the words, figures and letter “tax is paid by the assessee under section 140A, or” shall be inserted;

Amend-
ment of
section
210.”

(ii) for the words “determined for the purposes of the regular assessment or the provisional assessment aforesaid”, the following shall be substituted, namely:—

“on which tax has been paid under section 140A or in respect of which the regular assessment or the provisional assessment aforesaid has been made,”.

Insertion
of new
section
230A.
Restrictions on
registration of
transfers
of immovable
property in
certain
cases.

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10. After section 230 of the Income-tax Act, the following section shall be inserted, namely:—

“230A. (1) Notwithstanding anything contained in any other law for the time being in force, where any document required to be registered under the provisions of clause (a) to clause (e) of sub-section (1) of section 17 of the Indian Registration Act, 1908, purports to transfer, assign, limit or extinguish the right, title or interest of any person to or in any property (other than agricultural land) valued at more than fifty thousand rupees, no registering officer appointed under that Act shall register any such document, unless the Income-tax Officer certifies that—

(a) such person has either paid or made satisfactory provision for payment of all existing liabilities under this Act, the Excess Profits Tax Act, 1940, the Business Profits Tax Act, 1947, the Indian Income-tax Act, 1922, the Wealth-tax Act, 1957, the Expenditure-tax Act, 1957, and the Gift-tax Act, 1958, or

(b) the registration of the document will not prejudicially affect the recovery of any existing liability under any of the aforesaid Acts.

(2) The application for the certificate required under sub-section (1) shall be made by the person referred to in that sub-section and shall be in such form and shall contain such particulars as may be prescribed.”

Insertion
of new
section
236A.

11. In Chapter XVIII of the Income-tax Act, after section 236, the following section shall be, and shall be deemed to have been, inserted with effect from the 1st day of April, 1964, namely:—

Relief to
certain
charitable
institutions or
funds in
respect of
certain
dividends.

“236A. (1) In the case of an institution or fund referred to in clause (iii) of sub-section (2) of section 104, credit shall be given to the institution or fund against the tax, if any, payable by it, of a sum calculated in accordance with the provisions of sub-section (2), in respect of its income from dividends (other than dividends on preference shares) declared or distributed during the previous year relevant to any assessment year beginning on or after the 1st day of April, 1964, by such a company as is referred to in the said clause, and where the amount of credit so calculated exceeds the tax, if any, payable by the said institution or fund, the excess shall be refunded.

(2) The amount to be given as credit under sub-section (1) shall be a sum which bears to the amount by which the rebate of super-tax admissible to the company under the provisions of the annual Finance Act is, under the provisions of the said Act, reduced with reference to any amount of dividends declared or distributed by it during the previous year relevant to any assessment year beginning on or after the 1st day of April, 1964, the same proportion as the amount of the dividends (other than dividends on preference shares) received by the institution or fund from the company bears to the total amount of dividends (other than dividends on preference shares) declared or distributed by the company during the said previous year."

12. In section 253 of the Income-tax Act,—

Amendment of section 253.

(a) in sub-section (1),—

(i) in clause (a), after the word and figures "section 131," the word and figures "section 154," shall be inserted;

(ii) in clause (b), after the words "Inspecting Assistant Commissioner under", the words and figures "section 154 or" shall be inserted;

(iii) in clause (c), the following shall be inserted at the end, namely:—

"or under section 285A or an order passed by him under section 154 amending his order under section 263";

(b) in sub-section (2), after the words "Appellate Assistant Commissioner under", the words and figures "section 154 or" shall be inserted.

13. In section 280B of the Income-tax Act, in clause (1),—

Amendment of section 280B.

(i) in sub-clause (b) (iv), the word "and" occurring at the end shall be omitted;

(ii) in sub-clause (b) (v), the word "and" shall be inserted at the end; and

(iii) after sub-clause (b) (v), the following sub-clause shall be inserted, namely:—

"(vi) any annuity due, or commuted value of any annuity paid, under the provisions of section 280D."

14. In section 280E of the Income-tax Act,—

Amendment of section 280E.

(i) in sub-clause (ii) of clause (a), after the words, brackets, letter and figure "or sub-clause (b) (v)", the words, brackets, letter and figures "or sub-clause (b) (vi)" shall be inserted;

(ii) for clause (c), the following clause shall be substituted, namely:—

“(c) in cases where—

(i) the total income of the latest previous year [being a year later than the previous year referred to in clause (a)] on the basis of which tax has been paid by the depositor under section 140A, or a provisional assessment has been made under section 141, exceeds the total income referred to in clause (a), or

(ii) the Income-tax Officer makes an amended order referred to in sub-section (3) of section 280F on the basis of the total income on which tax has been paid by the depositor under section 140A, or in respect of which a provisional assessment has been made under section 141,

the total income referred to in clause (a) shall be substituted,—

(1) in a case falling under sub-clause (i), by the total income on the basis of which tax has been paid under section 140A or, as the case may be, the provisional assessment has been made under section 141, whichever relates to the latest previous year and where both relate to the same latest previous year, whichever is higher, and

(2) in a case falling under sub-clause (ii), by the total income on the basis of which the amended order under sub-section (3) of section 280F is made.”

Amend-
ment of
section
280F.

15. In section 280F of the Income-tax Act, in sub-section (3),—

(i) after the words “of the financial year,” the words, figures and letter “tax is paid by the depositor under section 140A, or” shall be inserted;

(ii) for the words “determined under the regular assessment or the provisional assessment aforesaid”, the following shall be substituted, namely:—

“on which tax has been paid under section 140A or in respect of which the regular assessment or the provisional assessment aforesaid has been made.”

Substitu-
tion of
new sec-
tion for
section
280Q.

16. For section 280Q of the Income-tax Act, the following section shall be, and shall be deemed to have been, substituted, with effect from the 1st day of April, 1964, namely:—

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“280Q. The amount of any deposit to be made under this Chapter shall be rounded off to the nearest multiple of ten rupees and where such amount contains a part of ten rupees, then, if such part is five rupees or more, it shall be increased to ten rupees and if such part is less than five rupees, it shall be ignored: Rounding off.

Provided that where the amount so computed is required under any provision of this Chapter to be deposited in two or more equal instalments and the amount of each instalment calculated for this purpose is not a multiple of ten rupees, the amount of each such instalment, other than the last instalment, shall be rounded off to the nearest multiple of ten rupees and the balance shall be the amount of the last instalment.”

17. In section 280U of the Income-tax Act, for the words “twenty-five per cent. of his adjusted total income”, the words “twenty-five per cent. of the income from such profession included in his total income” shall be, and shall be deemed to have been, substituted, with effect from the 1st day of April, 1964. Amendment of section 280U.

18. After section 285 of the Income-tax Act, the following section shall be inserted, namely:— Insertion of new section 285A.

“285A. (1) Where any person (hereinafter referred to as the contractor) enters into a contract for the construction of a building for, or the supply of goods or services in connection therewith to, any other person, the value of which exceeds fifty thousand rupees, he shall, within one month of the making of the contract, furnish to the Income-tax Officer having jurisdiction to assess the contractor such particulars relating to the contract and in such form as may be prescribed. Information by contractors in certain cases.

(2) Without prejudice to the provisions of any other law for the time being in force, where any contractor contravenes the provisions of sub-section (1), the Commissioner may impose upon him such fine not exceeding fifty rupees as he thinks fit for every day during which the contravention continues, so, however, that the amount of fine so imposed shall not, in the aggregate, exceed twenty-five per cent. of the value of the contract.

(3) The Commissioner shall, on making an order under this section imposing a fine, forthwith send a copy of the same to the Income-tax Officer.”

Amend-
ment of
Act 34 of
1953.

19. In the Estate Duty Act, 1953,—

(a) in Part VI, after section 50A, the following section shall be, and shall be deemed to have been, inserted with effect from the 1st day of April, 1964, namely:—

Relief from
estate duty
where tax
has been
paid on
capital
gains.

“50B. Where any property on which estate duty is leviable under this Act is transferred within a period of two years following the death of the deceased and tax under the Income-tax Act, 1961 has been paid in respect of the capital gains arising from such transfer, the estate duty payable shall be reduced by a sum which bears to the total amount of tax so paid the same proportion as the amount paid towards estate duty out of the proceeds of the transfer bears to the gross proceeds of such transfer: 5

43 of 1961.

Provided that the Board may, on an application of the accountable person, extend the period of two years aforesaid if it satisfied that the accountable person had sufficient cause for not effecting the transfer of the property within that period.”; 15

(b) for section 52, the following section shall be substituted, namely:— 20

Payment
of duty by
transfer of
property.

“52. (1) The Central Government may, on an application of the person accountable for estate duty, accept in satisfaction of the whole or any part of such duty any property passing on the death of the deceased at such price as may be agreed upon between the Central Government and that person, and thereupon such person shall deliver possession of the property to such authority as may be specified by that Government in this behalf. 25

(2) Notwithstanding anything contained in any other law for the time being in force, on the date the possession of the property is delivered to the authority under subsection (1)— 30

(i) the property shall vest in the Central Government; and

(ii) the Central Government shall, where necessary, intimate the registering authority concerned accordingly; 35

and the authority shall administer the property in such manner as the Central Government may direct.

(3) Where the price referred to in sub-section (1) exceeds the aggregate of the amounts due under this Act in respect of the estate of the deceased, the excess shall be applied in the following order to the payment of any tax, penalty, interest or other amount—

(i) which the legal representative of the deceased is liable to pay in respect of the income, expenditure or wealth of, or gift made by, the deceased under any of the Acts referred to in clause (c) of section 2 of the Central Boards of Revenue Act, 1963;

(ii) which the executor is liable to pay under any of the Acts aforesaid in respect of the estate of the deceased for the period of the administration of the estate;

(iii) which the person beneficially entitled to the property in question is liable to pay under any of those Acts;

and the balance, if any, shall be paid to the accountable person.”.

20. In the Expenditure-tax Act, 1957, in section 5, in the proviso to clause (j), after the words “as the case may be, or”, the words “except where such gift, donation or settlement is not chargeable to gift-tax under sub-section (1) of section 5 of that Act” shall be, and shall be deemed to have been, inserted with effect from the 1st day of April, 1964.

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to amend the Income-tax Act, 1961, the Estate Duty Act, 1953 and the Expenditure-tax Act, 1957 with a view to removing unintended hardship and providing relief to assesseees in certain cases. Opportunity is also being taken to make some other amendments which have been found necessary in the light of experience gained in the operation of these Acts. The notes on clauses explain the various provisions of the Bill.

NEW DELHI;
The 29th August, 1964.

T. T. KRISHNAMACHARI,

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND
274 OF THE CONSTITUTION OF INDIA

[Copy of letter No. 1 (321) 64-TPL, dated the 3rd September, 1964 from Shri T. T. Krishnamachari, Minister of Finance to the Secretary, Lok Sabha].

The President having been informed of the subject matter of the proposed Direct Taxes (Amendment) Bill, 1964 has recommended under articles 117(1) and 274(1) of the Constitution the introduction of the Bill in the Lok Sabha, and under article 117(3) of the Constitution, its consideration by the Lok Sabha.

Notes on clauses

Clause 2 seeks to amend retrospectively, Explanation 2 to clause (22) of section 2 of the Income-tax Act, 1961. The effect of this amendment will be that where a company goes into liquidation consequent on the compulsory acquisition of its undertaking by Government or any corporation owned or controlled by Government under any law for the time being in force, the distribution made by the liquidator of the company to its shareholders will not be chargeable to tax as 'dividend' to the extent such distribution is attributable to the accumulated profits of the company relating to any period prior to the three successive previous years immediately preceding the previous year in which the undertaking of the company is acquired.

Clause 3 seeks to insert a new clause (13A) in section 10 of the Income-tax Act. It provides for the exclusion from the total income of an assessee of any special allowance specifically granted to him by his employer to meet expenditure incurred on payment of rent for the residential accommodation occupied by the assessee to such extent (not exceeding three hundred rupees per mensem) as may be prescribed by the Central Board of Direct Taxes in the Rules framed under the Income-tax Act. It has also been provided that the limit up to which such allowance may be excluded from the total income of an assessee will be prescribed in the Rules having regard to the area or place in which the residential accommodation is situate and other relevant considerations.

Clause 4 seeks to amend sub-clause (ii) of sub-section (3) of section 17 of the Income-tax Act. The effect of this amendment will be that the payment referred to in clause (13A), sought to be inserted in section 10 of the Income-tax Act by clause 3 of this Bill, will not be treated as "profits in lieu of salary".

Clause 5 seeks to amend section 88 of the Income-tax Act. The effect of this amendment will be that the entire amount paid by an assessee during the previous year as donation to the Jawaharlal Nehru Memorial Fund referred to in the Deed of Declaration of Trust adopted by the National Committee on 17th August, 1964 will qualify for rebate of Income-tax under section 88 of the Income-tax Act, without application of the monetary limit laid down in sub-section (3)

of section 88 of the Income-tax Act (*viz.*, 10 per cent of the total income of the assessee or two hundred thousand rupees, whichever is less). It has been laid down in this behalf that donations to the aforesaid fund will not be taken into account in calculating the above-mentioned monetary limit.

Clause 6 seeks to amend clause (ii) of sub-section (3) of section 153 of the Income-tax Act. It provides that the period of limitation for making an order of assessment (as laid down in sub-section (1) of the aforesaid section) will not apply in a case where an assessment, re-assessment or recomputation is made in consequence of, or to give effect to any finding or direction contained in an order of any court other than an order on an appeal or reference under the Income-tax Act. The amendment proposed in Explanations 2 and 3 is of a consequential nature.

Clause 7 seeks to amend section 154 of the Income-tax Act. Under this clause, an Appellate Assistant Commissioner and an Inspecting Assistant Commissioner will be enabled to rectify any mistake apparent from the record in an order of imposition of penalty passed by them. Further, the Income-tax Officer, the Appellate Assistant Commissioner, the Inspecting Assistant Commissioner and the Commissioner of Income-tax will be enabled to rectify any mistake in an order passed by them even where such order has been considered and decided in any proceeding by way of appeal or revision, except where the mistake relates to matters which have been so considered and decided.

Clause 8 seeks to substitute clause (d) of section 209 of the Income-tax Act by a new clause. The effect of this amendment will be that in making the first order for payment of advance tax for a financial year, the Income-tax Officer will be enabled to compute such demand with reference to the total income of the *latest* previous year on the basis of which the assessee has paid tax on self-assessment under section 140A or has been assessed provisionally under section 141 of the Income-tax Act, if such total income relates to a year later than the latest year for which he has been assessed on regular assessment and is higher than the total income determined on such regular assessment. Where such self-assessment and provisional assessment relate to the same year, the demand of advance tax will be computed on the basis of the total income which is the higher of the two]

It has also been provided that if after making the first order for payment of advance tax for a financial year, the Income-tax Officer seeks to revise the demand with reference to the total income of

a later year on the basis of which tax has been paid by the assessee on self-assessment, the revised demand will be computed on the basis of such total income.

Clause 9 seeks to amend sub-section (3) of section 210 of the Income-tax Act. Under this provision, the Income-tax Officer will be enabled to revise the original demand of advance tax made by him with reference to the total income on the basis of which tax has been paid by the assessee on self-assessment under section 140A of the Income-tax Act, if such total income relates to a previous year later than that on the basis of which the original demand was made.

Clause 10 seeks to insert a new section 230A in the Income-tax Act. This prohibits a registering authority appointed under the Indian Registration Act, 1908 from registering any document purporting to transfer, assign, limit or extinguish the right, title or interest of any person to or in any property (other than agricultural land) valued at more than fifty thousand rupees, unless the person concerned produces before such authority a tax clearance certificate from the Income-tax Officer in respect of his liability under the Income-tax Act, 1961, the Excess Profits Tax Act, 1940, the Business Profits Tax Act, 1947, the Indian Income-tax Act, 1922, the Wealth-tax Act, 1957, the Expenditure-tax Act, 1957 and the Gift-tax Act, 1958. This provision applies to documents which are required to be registered under the provisions of clause (a) to clause (e) of sub-section (1) of section 17 of the Indian Registration Act, 1908.

Clause 11 seeks to insert a new section 236A in Chapter XVIII of the Income-tax Act. Under this provision, an institution or fund referred to in clause (iii) of sub-section (2) of section 104 of the Income-tax Act, being a charitable institution or fund which holds shares in a company referred to in that clause, and receives a dividend on equity shares from such a company, will be entitled to a credit in its assessment for a proportionate amount of the super-tax payable by the company under the annual Finance Act in respect of the dividend on equity capital declared or distributed by it during the previous year for the assessment year 1964-65 or any later year. This provision will have effect from 1st April 1964.

Clause 12 seeks to amend section 253 of the Income-tax Act. It enables assesseees to prefer an appeal to the Appellate Tribunal against an order of rectification of a mistake passed by the Appellate Assistant Commissioner, the Inspecting Assistant Commissioner and the Commissioner of Income-tax, and also against an order passed

by the Commissioner of Income-tax imposing a fine under the new section 285A, which is sought to be inserted in the Income-tax Act by clause 18 of the Bill.

It also enables the Commissioner of Income-tax to direct the Income-tax Officer to prefer an appeal to the Appellate Tribunal against an order passed by the Appellate Assistant Commissioner rectifying a mistake in his order.

Clause 13 seeks to amend section 280B of the Income-tax Act. It provides that the amount of any annuity due or the commuted value of any annuity paid under the provisions of section 280D of the Income-tax Act (which is chargeable to tax as income) will be excluded from the "adjusted total income" of an assessee for the purpose of computing the amount of annuity deposit required to be made by him under the provisions of Chapter XXIIA of the said Act.

Clause 14 seeks to make two amendments to section 280E of the Income-tax Act relating to computations of advance annuity deposit

Under one of the amendments, the amount of annuity due or the commuted value of any annuity paid under the provisions of section 280D of the Income-tax Act will be excluded from the total income of the assessee on the basis of which the amount of advance annuity deposit required to be made by the assessee is calculated.

The next amendment seeks to bring the provisions relating to the computation of advance annuity deposit in line with the provisions in clause (d) of section 209 of the Income-tax Act relating to the computation of advance tax (as sought to be amended by clause 8 of the Bill).

Clause 15 seeks to amend the provisions in sub-section (3) of section 280F of the Income-tax Act relating to amendment by the Income-tax Officer of the original order issued by him in regard to demand of advance annuity deposit. By this amendment, the provisions of the aforesaid sub-section will be brought in line with the provisions of sub-section (3) of section 210 of the Income-tax Act (as sought to be amended by clause 9 of the Bill) relating to the amendment of the original order of demand of advance tax.

Clause 16 seeks to amend section 280Q of the Income-tax Act relating to the rounding off of the amount of annuity deposits. The effect of the amendment will be that the amount of any annuity deposit to be made under Chapter XXIIA will be rounded off to the nearest multiple of Rs. 10/- instead of Rs. 5/- as under the existing provision.

Instalments of annuity deposit will also be rounded off in a similar manner.

This amendment will have effect from the 1st April, 1964.

Clause 17 seeks to amend section 280U of the Income-tax Act. The effect of this amendment will be that in the case of authors, playwrights, artists, musicians or actors, who under the existing provisions of the aforesaid section are permitted, at their option, to make an additional annuity deposit up to 25% of the amount of their "adjusted total income", such additional annuity deposit will be allowed to be made only in respect of the income derived from carrying on a profession as an author, playwright, artist, musician or actor, and not in respect of income from any other source.

This amendment will have effect from 1st April, 1964.

Clause 18 seeks to insert a new section 285A in the Income-tax Act. Under this provision, persons securing contracts of a value exceeding Rs. 50,000 for the construction of a building or the supply of goods or services in connection therewith, will be required to furnish relevant information relating to such contracts to the Income-tax Officer concerned within one month of making the contract, failing which they will be liable to imposition of a fine by the Commissioner of Income-tax not exceeding Rs. 50/- for each day of default, subject to a further limit of 25% of the value of the contract. The particulars to be furnished by such persons will be prescribed by the Central Board of Direct Taxes in the rules framed under the Income-tax Act.

Clause 19 seeks to amend the Estate Duty Act, 1953.

Sub-clause (a) seeks to insert a new section 50B in Part VI of the Estate Duty Act. The effect of this amendment will be that where the accountable person transfers any property comprised in the estate of the deceased and utilises the proceeds for payment of the estate duty, a deduction will be allowed from the estate duty of a proportionate amount of the tax which becomes chargeable under the Income-tax Act on the capital gains arising from the transfer of the property.

This amendment will have effect from 1st April, 1964.

Sub-clause (b) seeks to substitute the provisions of section 52 of the Estate Duty Act by a new provision, enabling the Central Government to accept at an agreed price, the assets comprised in an estate passing on the death of the deceased towards payment of the estate duty, if the accountable person so offers. Provision is also

made that any balance of the price left after satisfying the amounts due under the Estate Duty Act will be adjusted against amounts due under the other direct taxes Acts from the deceased, his estate and the accountable person beneficially entitled to the asset in question in that order.

Clause 20 seeks to amend the proviso to clause (j) of section 5 of the Expenditure-tax Act, 1957. The effect of this amendment will be that an assessee will be exempt from expenditure-tax on the expenditure incurred by him on making a gift which is specifically exempt from gift-tax under sub-section (1) of section 5 of the Gift-tax Act, 1958.

This amendment will have effect from 1st April, 1964.

FINANCIAL MEMORANDUM

Under the new provision sought to be introduced in the Estate Duty Act, 1953 by sub-clause (b) of clause 19 of the Bill, the Central Government will appoint an authority to take over and administer the assets comprised in an estate passing on the death of the deceased which are offered by the accountable persons to the Government towards the payment of estate duty. In the initial stages it is the intention to utilise the existing machinery of Government for this purpose and to add to it only by stages as the work expands. The additional expenditure on this account during the current financial year is not likely to exceed Rs. 20,000.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clauses 3, 10 and 18 empower the Central Board of Direct Taxes to make rules in regard to certain matters. These matters include the extent to which any allowance in the nature of a house-rent allowance may be excluded (subject to a ceiling limit of rupees three hundred per month) from the total income of an employee, the form in which an application for the tax clearance certificate may be made by a person seeking to register certain documents relating to transfer of certain properties and the form in which a contractor will be required to furnish particulars regarding house-building contracts of over rupees fifty thousand.

The matters in respect of which such rules may be made are matters of procedure or administrative detail. The delegation of legislative power is thus of a normal character.

S. L. SHAKDHER.

Secretary